



Budget 2015

Preview

Budget 2015: What to Expect

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1 Overview

The Chancellor, George Osborne, is set to deliver the Budget tomorrow afternoon. He has, of course, already delivered a Budget this year - only seventeen weeks ago, to be exact. But after the Conservatives won the 2015 general election outright, Osborne explained he needed to take the "unusual" step of having a second Budget in order to turn the "promises made in the election into a reality".

The realpolitik is that the Conservatives will use this set-piece parliamentary feature to focus public and media attention on their plans for this Parliament, whilst also exploiting Labour's disarray in comparison. The Labour party, in the midst of a leadership election, is arguably not yet organised enough to offer effective opposition to the Conservatives a mere two months after a successive heavy election defeat. The Conservatives will also be hoping to repeat their feat of 2010 and set the terms of the political debate before Labour reorganise. Harriet Harman, the interim Labour leader, will have a tough task to deliver a coherent and political powerful response that will ultimately deny the Conservatives their aim.

2 What can you expect from the 2015 Budget?

Rather than waiting until the Autumn Statement, the second statement the Treasury usually delivers in December, to detail the expected welfare savings, the bulk of these will be announced in tomorrow's Budget. This will also be an opportunity for the Chancellor to burnish his Conservative credentials and outline a 'true blue' Budget to appeal, and in some cases appease, traditional Conservative voters. This is, after all, the first Conservative Budget in almost twenty years.



An overview of expected announcements are as follows:

2.1 Welfare

Having already ruled out cuts to pensions and child benefit, a pledge to cut £12 billion from the welfare budget is expected to fall on the following:

- Tweaks to the £30 billion tax credit system which will lower the take-home pay of less well-off workers (although Osborne's political argument will be that this will be offset by income tax cuts and expected wage rises);
- A reduction in the welfare tax cap from £26,000 to £23,000 in London and £20,000 in the rest of the country;
- A cut in housing benefit for under-25s;
- A requirement for social housing and housing association tenants with an income of above £40,000 in London or £30,000 outside the capital to pay near-market rents.

2.2 Taxes

The Chancellor will tell MPs that the threshold at which inheritance tax is levied will rise for couples from £650,000 after April 2017 up to £1 million. The pledge was made in an [article](#) at the weekend in *The Times* penned by the Prime Minister and Chancellor and fulfils a key manifesto pledge.

The Budget will crackdown on non-domiciled residents (UK residents that have their permanent home outside the UK and do not pay tax on any foreign income provided they pay an annual charge). The Treasury is likely to stop short of abolishing 'non-dom' status though, as Ed Miliband had pledged for during the election campaign.

Despite recent calls to do so, the Chancellor is not expected to reduce the top rate of tax from 45p to 40p. Those earning more than £150,000 are expected to see a cut in pension tax relief however.

2.3 Other

The Chancellor is expected to resist recent calls to introduce the living wage or increasing the minimum wage but may deliver on the party's manifesto pledge to link the minimum wage to the personal allowance. This would mean that anyone working on the minimum wage, working 30 hours a week, would not have to pay any income tax.

The Budget is also expected to feature the following announcements:

- Relax laws on Sunday trading hours and allow shops to open for longer on Sundays if it is deemed to boost economic activity
- Plans to build discounted homes for first-time buyers under 40 and use public land for homes;
- £30 million fund for local councils to help speed up adoption searches;



- The transferral of the annual £650 million cost of providing free television licences for the over-75s from the Treasury to the BBC;
- A dropping of the previous government's target to increase the proportion of taxation raised from environmental taxes
- Sajid Javid, the Business Secretary, plans to ease pressure on his department's strained finances by converting maintenance grants for poorer students into loans

Some but not all of the following measures may feature too:

- An increase in fuel duty to bring it back in line with inflation;
- Further cuts to the policing budget (following the Home Secretary's call in May 2015 on the Police Federation to find further efficiency savings);
- A call on leading law firms to contribute to legal aid in the future;
- A cut in local councils' public health budgets
- Funding support for SME builders

3 Analysis

The Conservative party have waited since just before the 1997 general election to deliver a Budget unencumbered by a coalition partner. Osborne will want to announce as much as the expected £12bn in cuts as soon as possible, mostly in the name of political expediency, which are planned to fall predominantly in the financial year 2017-18. A budget surplus is then planned for ahead of the 2020 general election, which the Conservatives have called Labour to match in their spending plans. As ever with Osborne, who is as much a political tactician as he is the Chancellor, such a commitment is designed to trap the Labour party – who are still having fierce internal wrangling over spending. With the former Shadow Chancellor, Ed Balls, having lost his seat at the election and the hitherto unheard of Chris Leslie now in his stead, Labour faces a difficult task to restore economic credibility. Osborne will want to use this disarray, and the mandate and momentum of a newly-elected government, to begin to carry out in full the Conservative party's manifesto commitments.

The Budget tomorrow will present the Conservatives with the first opportunity to stamp their authority on a newly-minted Parliament. It will also allow them to erase the memory of their former coalition partners, the Liberal Democrats. And, lastly, on a personal note for Osborne it will provide yet another opportunity to position himself as the future leader of the Conservative party, something which is looking more and more likely.

4 Political Intelligence

For further information on the 2015 Budget, or if you'd like to discuss your current plans for the new Parliament and ways in which Political Intelligence could support your organisation in your



public affairs activity, then please contact us on 020 3397 3300 or contact our Group Managing Director [Nicholas Lansman](#) for further information.